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NEWS RELEASE



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Attorney General Announces Multistate Agreement with State Farm
Will Result in \$40 Million to Consumers Nationwide

(Juneau) – Attorney General Gregg Renkes said today that Alaska and 48 other states plus the District of Columbia have reached an agreement with State Farm Mutual Insurance Company which will result in \$40 million in compensation to thousands of car, SUV, and truck owners nationwide.

After titling research is complete an estimated 30,000 consumers nationwide may be eligible for payments ranging from about \$400 up to over \$10,000, depending primarily on the current average value of their vehicle, and the number of consumers who participate in the compensation program. The states believe most payments are likely to range from \$800 to \$1850.

The agreement was reached after State Farm approached the states and indicated that, after an internal review, in a small percentage of cases it was unable to confirm that it had properly titled vehicles it had taken ownership of from policyholders due to damage or theft.

“State Farm came forward with the problem and a workable solution to make things right for its impacted policy holders,” said Renkes. “Hopefully this agreement will encourage other companies to follow suit, when necessary, to make things right for consumers.”

In most states, depending on factors such as vehicle age and extent of damage, insurance companies taking ownership in such situations must obtain “branded titles,” indicating the vehicles are “reconstructed.” State Farm’s records showed that it had properly titled approximately 2.4 million vehicles in recent years that may have required a “branded title,” but that it could not confirm whether a much smaller number may not have been properly titled. Payment will go to the current owners of vehicles that may require branded titles.

In addition to the \$40 million for consumers, State Farm also will pay the expense for the major project of identifying the vehicles, tracing the current owners, contacting owners, taking claims from owners, and making compensation payments. In the “Assurance of Voluntary Compliance,” or agreement with the states, State Farm also makes assurances about how it presently conducts its practices, as well as in the future.

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Consumers who complete a claim form and are approved will receive a compensation payment from State Farm later this year or early 2006. Under the agreement, State Farm will work with state departments of motor vehicles in the coming months to determine in each state the specific vehicles which require a branded title. The owners of those vehicles will receive a letter from the consumer's home state Attorney General with a claim form to complete and return to an independent Claims Administrator company already approved by the States to administer the notification and compensation program. After all claims are in, the amount each consumer will receive will be finalized and checks mailed.

The final amounts received by consumers will depend on the current value of their vehicle and how many consumers elect to participate in the payment program. Payments will be made to the owners of currently registered vehicles and will be based on the current average retail value of the vehicle. It is expected that current owners of eligible vehicles will be contacted by Fall 2005, after the identification process is completed.

State Farm also is making a payment of a total of \$1 million to all the state participants for consumer education, future consumer litigation, public protection, local consumer aid funds, and attorney fees and costs.

For additional information regarding the details of the settlement please contact Assistant Attorney General Ed Sniffen at (907) 269-5200.

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